MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2022/2023

BAC3664 – ACCOUNTING THEORY

(All sections/Groups)

4 OCTOBER 2023
9.00 a.m – 12.00 p.m
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 2 pages (excluding the cover page) with 4 Questions only.
2. Attempt **ALL** questions. The distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

Part A

Deloitte comment letter on amendments to the classification and measurement of financial instruments
Published on: 19 July 2023

"We support amendments proposed to IFRS 9 to explicitly permit the derecognition of financial liabilities at the date of the instruction to remit cash under an electronic payment system if certain criteria are met. However, we believe that the requirement to assess whether the paying entity has the right to cancel the instruction is not necessary and is unduly onerous. We believe that the other criteria proposed in the Exposure Draft (ED) would be sufficient to support the assessment for derecognition of the financial liability at the date of the payment instruction".

Source: https://www.iasplus.com/en/publications/global/comment-letters/2023/classification-measurement retrieved on 21 August 2023

Required:

Using the above article:

a) Explain the concept of lobbying in the implementation of accounting regulation.

(2 marks)

b) Discuss TWO (2) potential influences of Deloitte's comment letter on the amendments proposed to IFRS 9.

(8 marks)

Part B

a) Explain the concept of institutional isomorphism, as proposed by institutional theory.

(3 marks)

b) Explain THREE (3) processes of institutional isomorphism and how they relate to the development of accounting regulation.

(12 marks)

(Total: 25 marks)

QUESTION 2

Part A

Positive accounting theory argues that individual's actions are driven by self-interest and that individuals will always act in an opportunistic manner to the extent that the actions will increase their wealth. However, positive accounting theory was criticized due to several limitations.

Required:

Discuss FOUR (4) criticisms of positive accounting theory.

(12 marks)

Continued...

Part B

a) Explain the concept of creative accounting.

(1 mark)

b) Discuss FOUR (4) managers' and companies' motivation for creative accounting when preparing financial statements.

(12 marks)

(Total: 25 marks)

QUESTION 3

In Malaysia, fair value accounting starts with MFRS 139: *Financial Instruments recognition and measurement* which come into force in 2010. In 2013, it is supplemented by MFRS 13. While in 2018, MFRS 9 is made effective.

Required:

(a) Describe fair value accounting method by referring to the MFRS 13 and MFRS 9.

(7 marks)

(b) Discuss THREE (3) reasons on choosing fair value as accounting method in the financial reporting.

(9 marks)

(c) Discuss THREE (3) implications of choosing fair value as accounting method in the financial reporting.

(9 marks)

(Total: 25 marks)

QUESTION 4

Trotman et al. (2011) provide a useful overview of behavioural research, which they refer to as judgment and decision-making (JDM) research in accounting.

Required:

(a) Identify THREE (3) individuals that make judgment and decision-making (JDM) research in accounting. For everyone, explain how judgment is being used in their decision making.

(9 marks)

(b) Discuss TWO (2) aims of applying judgment and decision-making (JDM) research which relates to accounting.

(8 marks)

(c) Discuss TWO (2) challenges of using judgment and decision-making (JDM) research to accounting.

(8 marks)

(Total: 25 marks)

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